

**DIRECT TESTIMONY AND EXHIBIT OF**

**ANTHONY D. BRISENO**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2019-290-WS**

**IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR  
APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

**A.** My name is Anthony D. Briseno. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Auditor for the Office of Regulatory Staff ("ORS").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received my Bachelor of Science Degree in Business Administration with a major in Accounting from Coastal Carolina University in August 2014. I received my Master of Accountancy Degree from Coastal Carolina University in August 2015. I also received a Graduate Certificate for completion of the Fraud Examination Program at Coastal Carolina University in August 2015. I began my employment as an Auditor with ORS in October 2016 and was promoted to Senior Auditor in August of 2019. I have participated in various cases involving the regulation of electric, gas, water and wastewater utilities.

**Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

**A.** Yes, I have previously testified before the Commission.

**Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

**A.** ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?**

**A.** The purpose of my testimony is to set forth ORS's findings and recommendations for certain adjustments resulting from ORS's examination of the application of Blue Granite Water Company ("BGWC" or "Company"), in Docket No. 2019-290-WS. Specifically, I address ORS's findings and recommendations for the following adjustments:

- Adjustment #8a – Purchased Water and Sewer Deferral Amortization
- Adjustment #8b – Adjust Purchased Water and Sewer Expenses Going Forward
- Adjustment #9a – Deferred Maintenance Adjustment
- Adjustment #9b – ClearWater Solutions - Maintenance and Repair
- Adjustment #9c – Amortization of Litigation Deferrals, Deferred Storm Costs, Decommissioning Costs and Net Book Value ("NBV") of Decommissioned Assets
- Adjustment #10 – ClearWater Solutions - Maintenance Testing
- Adjustment #11a – ClearWater Solutions - Meter Reading
- Adjustment #12a – ClearWater Solutions - Chemicals
- Adjustment #13a – ClearWater Solutions - Transportation
- Adjustment #20 – ClearWater Solutions - Lawn Care
- Adjustment #24 – Depreciation Expense
- Adjustment #25 – Amortization of Contributions in Aid of Construction ("CIAC")
- Adjustment #26c – Pro Forma Property Taxes
- Adjustment #32 – Gross Plant in Service
- Adjustment #33 – Accumulated Depreciation
- Adjustment #34b – Unamortized Balances for Decommissioned Assets, NBV on Decommissioned Assets and Excess Deferred Income Taxes ("EDIT")
- Adjustment #36 – CIAC
- Adjustment #37 – Plant Held for Future Use
- Adjustment #38 – Excess Book Value

**Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

**A.** Yes. The review to which I testify was performed by me or under my supervision.

**Q. PLEASE EXPLAIN ORS'S RECOMMENDED ADJUSTMENTS.**

**A.** Adjustment #8a – Purchased Water and Sewer Deferral Amortization

ORS proposes an adjustment in the amount of \$854,532 to adjust expenses for purchased water and sewer deferral amortization over a three (3) year period. The Company proposes an adjustment in the amount of \$934,656 over a three (3) year period. The difference in adjustment amounts is attributable to the following:

1. ORS proposes to amortize the prior Commission approved water deferrals amortization through April 30, 2020 due to new rates going into effect in May 2020, whereas the Company proposed to amortize the deferrals through December 30, 2019;
2. ORS proposes to update the purchased water and sewer deferral charges with actuals through December 18, 2019 provided by the Company to ORS on the audit cutoff date of December 20, 2019, whereas the Company included estimates in its calculation of this adjustment;
3. ORS proposes to remove \$49,023 of prior balances, hydrant fees, and fire fees that should not have been included in the deferrals per the Company's response to ORS Audit Request #33; and
4. ORS proposes to reduce the purchased water deferrals by \$50,929 for non-revenue water in excess of 10% as discussed in the direct testimony of ORS witness Maurer.

Adjustment #8b – Adjust Purchased Water and Sewer Expenses Going Forward

1           ORS proposes an adjustment in the amount of \$2,303,674 to adjust expenses for  
2           purchased water and sewer expenses on a going-forward basis. The Company proposes an  
3           adjustment in the amount of \$2,640,647. The difference in adjustment amounts is attributable  
4           to the following:

- 5           1. ORS proposes to adjust expenses for rate increases from BGWC's bulk water and  
6           sewer suppliers based on the twelve months of supplier water and sewer bills  
7           through November 30, 2019, as supplied by the Company in response to ORS  
8           Audit Request #28.
- 9           2. ORS proposes to adjust for various business units ("BU") within the twelve  
10          month period ending November 30, 2019, that experienced a change in rate from  
11          third party providers. ORS used the pro forma calculations provided by the  
12          Company in the calculation of their adjustment to set purchased water and sewer  
13          expenses on a going-forward basis with the exception of two BU's that  
14          transitioned to purchased water and sewer services during this time period. ORS  
15          proposes to use the average cost of the historical data within the twelve months  
16          ending November 30, 2019, to impute a reasonable expense going forward for  
17          those BUs; and
- 18          3. ORS proposes to adjust purchased water expense by (\$271,930) to account for  
19          non-revenue water in excess of 10% as discussed in the direct testimony of ORS  
20          witness Maurer.

21           Adjustment #9a – Deferred Maintenance Adjustment

22           ORS proposes an adjustment in the amount of (\$232,402) to adjust expenses for the  
23           amortization of the Company's deferred maintenance expenses over a five (5) year period.

The Company's deferred maintenance expense adjustment includes estimates for hydrotank inspections and wastewater treatment plant ("WWTP") tank recoating. The Company proposes an adjustment in the amount of (\$212,327) over a five (5) year period. The difference in adjustment amounts is attributable to the following:

1. The Company used an estimate in their application for the hydrotank inspections whereas ORS is using the actual expenses incurred based upon the Company's responses to ORS Audit Requests #5, 13, and 22; and
2. The Company did not provide any support for the WWTP tank recoating by the ORS audit cutoff date of December 20, 2019 as indicated by the Company's response to ORS Audit Request #22. ORS did not include the WWTP tank recoating in ORS's calculation of this adjustment.

Adjustment #9b – ClearWater Solutions - Maintenance and Repair

ORS proposes an adjustment in the amount of \$851,676 to adjust expenses for the removal of water and wastewater operator expenses that will no longer be applicable due to the Company entering into a contract with ClearWater Solutions to run and maintain their Midlands BUs. Additionally, this adjustment incorporates the ClearWater Solution's contract costs that are applicable to Water Territory 1, Water Territory 2, and Sewer on a going-forward basis. The Company proposes an adjustment in the amount of \$892,513. The difference in adjustment amounts is attributable to the following:

1. ORS proposes to remove \$35,365 for two ClearWater Solutions invoices provided by the Company in response to ORS Audit Request #31. These invoices were within the test year and the invoices stated they were for Midlands Contract Ops. The ClearWater Solutions contract will cover the work performed by these

two invoices going-forward. The Company calculated their adjustment by removing costs that were allocated to the Midlands BUs. These two invoices were not allocated to the Midlands BUs which is why these invoices were not removed by the Company in its calculation of this adjustment; and

2. ORS proposes to remove \$5,472 for a Carolina Lift Stations agreement for preventative maintenance included in the test year. Per the Company's response to ORS Audit Request #30, the ClearWater Solutions contract has overlap with the preventative maintenance performed as part of the Carolina Life Stations agreement. ORS's proposal to remove the \$5,472 is consistent with the same approach the Company used to remove the fuel costs for the test year that were allocated to the Midlands BUs.

Adjustment #9c – Amortization of Litigation Deferrals, Deferred Storm Costs, Decommissioning Costs and NBV of Decommissioned Assets

ORS proposes an adjustment in the amount of \$345,590 to adjust expenses for the amortization of the following: Administrative Law Court ("ALC") Cases – DHEC Permit Denial and I-20 Interconnect, I-20 Interconnect Phase 2, 2016 storm costs, Hurricane Florence Storm Costs, Stonegate Water Treatment Plant ("WTP") decommissioning and NBV, and Friarsgate WWTP decommissioning and NBV. The Company proposes an adjustment in the amount of \$483,212. The difference in adjustment amounts is attributable to the following:

1. ORS proposes to use the balance of \$159,612 for the I-20 Interconnect Phase 2 approved by the Commission in Docket No. 2017-292-WS whereas the Company used \$158,845 in their calculation;

2. ORS proposes to amortize the I-20 Interconnect Phase 2, 2016 storm costs, and Hurricane Florence storm costs balances through April 30, 2020 due to new rates going into effect in May 2020, whereas the Company proposed to amortize them through December 30, 2019;
3. ORS proposes to update the decommissioning expenses and ALC case – DHEC Permit Denial expenses based upon the Company’s update to their workpaper X provided to ORS on the audit cutoff date of December 20, 2019;
4. ORS proposes to decrease the Company’s calculation of the NBV of Stonegate WTP decommissioning by \$14,432 to account for an error in the Company’s calculation of the removal of the Stonegate WTP based upon the Company’s response to ORS Audit Request #22;
5. ORS proposes to amortize the NBV of the Stonegate WTP decommissioning over 29.56 years, as compared to the Company’s 19.82 years, based upon ORS witness Garrett’s depreciation rates applicable to the object accounts that were affected by the removal of the Stonegate WTP; and
6. ORS proposes to amortize the NBV of the Friarsgate WWTP decommissioning over 32.40 years, as compared to the Company’s 19.72 years, based upon ORS witness Garrett’s depreciation rates applicable to the object accounts that were affected by the removal of the Friarsgate WWTP.

Please see Audit Exhibit ADB-1 for ORS’s breakdown of the deferred charges, the amortization periods remaining and annual amortization.

Adjustment #10 – Clear Water Solutions - Maintenance Testing

1           ORS proposes an adjustment in the amount of (\$174,416) to adjust for the removal  
2           of testing expenses that will no longer be applicable due to the Company entering into a  
3           contract with ClearWater Solutions to run and maintain their Midlands BUs.

4           Adjustment #11a – ClearWater Solutions - Meter Reading

5           ORS proposes an adjustment in the amount of (\$44,748) to adjust for the removal of  
6           meter reading expenses that will no longer be applicable due to the Company entering into a  
7           contract with ClearWater Solutions to run and maintain their Midlands BUs.

8           Adjustment #12a – ClearWater Solutions - Chemicals

9           ORS proposes an adjustment in the amount of (\$67,524) to adjust for the removal of  
10          chemical expenses that will no longer be applicable due to the Company entering into a  
11          contract with ClearWater Solutions to run and maintain their Midlands BUs.

12          Adjustment #13a – ClearWater Solutions - Transportation

13          ORS proposes an adjustment in the amount of (\$110,230) to adjust for the removal  
14          of transportation expenses that will no longer be applicable due to the Company entering into  
15          a contract with ClearWater Solutions to run and maintain their Midlands BUs and selling 15  
16          vehicles to ClearWater Solutions as part of the contract. The Company proposes an  
17          adjustment in the amount of (\$99,425). The difference in adjustment amounts is attributable  
18          to the following:

- 19           1. ORS proposes to include \$35,561 of fuel cost that the Company inadvertently  
20           removed as part of their adjustment that was outside of the test year based upon  
21           the Company's response to ORS Audit Request #22;
- 22           2. ORS proposes to remove \$25,201 of vehicle expenses that were allocated to the  
23           Midlands BUs that the Company stated it incorrectly did not account for in the



calculation of its adjustment per the Company's response to ORS Audit Request #30. ORS's proposal to remove the \$25,201 is consistent with the approach the Company used to remove the fuel costs for the test year that were allocated to the Midlands BUs; and

3. ORS proposes to remove \$21,163 for other vehicle expenses that were allocated to the Midlands BUs that the Company stated it incorrectly did not account for in the calculation of its adjustment per the Company's response to ORS Audit Request #30. ORS's proposal to remove the \$21,163 is consistent with the approach the Company used to remove the fuel costs for the test year that were allocated to the Midlands BUs.

Adjustment #20 – ClearWater Solutions - Lawn Care

ORS proposes an adjustment in the amount of (\$98,634) to adjust for the removal of lawn care expenses that will no longer be applicable due to the Company entering into a contract with ClearWater Solutions to run and maintain their Midlands BUs. The Company proposes an adjustment in the amount of (\$27,003).

The difference in adjustment amounts is ORS proposes to remove an additional \$71,633 as calculated by the Company for lawn care/landscaping expenses that were allocated to the Midlands BUs within the test year. The Company stated in response to ORS Audit Request #30 it was an oversight to not remove these costs in the preparation of their adjustment. There is a variance of \$2 between the amount being removed by ORS and the total amount being proposed by ORS when compared to the Company's adjustment that is attributable to rounding.

Adjustment #24 – Depreciation Expense

1           ORS proposes an adjustment in the amount of \$1,494,488 to adjust depreciation  
2           expense for known and measurable plant in service. The Company proposes an adjustment  
3           in the amount of \$2,093,637. The difference in adjustment amounts is attributable to the  
4           following:

- 5           1. The Company used estimates in its calculation of its adjustment to gross plant in  
6           service whereas ORS used actuals provided by the Company through the audit  
7           cutoff date of December 20, 2019;
- 8           2. ORS proposes to include depreciation expense associated with the Indian Pines  
9           Extraordinary Retirement, Purdy Shores & Foxwood Retirement and  
10          Engineering Expenses from prior rate cases in ORS's calculation of this  
11          adjustment; and
- 12          3. ORS proposes to use the depreciation rates calculated by ORS witness Garrett.

13          Adjustment #25 – Amortization of CIAC

14          ORS proposes an adjustment in the amount of (\$538,846) to adjust CIAC  
15          amortization expense for known and measurable changes to CIAC. The Company proposes  
16          an adjustment in the amount of (\$618,100). The difference in adjustment amounts is  
17          attributable to the utilization of the depreciation rates provided by ORS witness Garrett and  
18          the updates to CIAC as provided by the Company to ORS on the ORS audit cutoff date of  
19          December 20, 2019.

20          Adjustment #26c – Pro Forma Property Taxes

21          ORS proposes an adjustment in the amount of \$386,017 to adjust pro forma property  
22          taxes for pro forma plant balances. The Company proposes an adjustment in the amount of  
23          \$543,084. The difference in adjustment amounts is attributable to the differences between

1 ORS and the Company on the calculation of gross plant in service, accumulated depreciation,  
2 excess book value and CIAC.

3 Adjustment #32 – Gross Plant in Service

4 ORS proposes an adjustment in the amount of \$415,288 to adjust gross plant in  
5 service to reflect plant additions and retirements since the last rate case as well as pro forma  
6 general ledger additions, pro forma plant, pro forma retirements, removal of the Company's  
7 Northbrook Office, removal of the Stonegate WTP and Friarsgate WWTP, and the removal  
8 of vehicles sold to Clearwater Solutions as part of the contract. The Company proposes an  
9 adjustment in the amount of \$2,600,952. The difference in adjustment amounts is attributable  
10 to the following:

- 11 1. ORS opposes the recovery by the Company of \$495,206 in upgrades to its  
12 Greenville office. This adjustment is discussed in the direct testimony of ORS  
13 witness Maurer;
- 14 2. ORS proposes to increase gross plant in service by \$19,361 to correctly account  
15 for the Stonegate WTP decommissioning removal as the balance was removed  
16 twice by the Company. The Company indicated this was done in error in response  
17 to ORS Audit Request #22. A corresponding adjustment is made to accumulated  
18 depreciation for this as well;
- 19 3. ORS proposes to adjust gross plant in service by \$98 for errors in the Company's  
20 calculation of the Northbrook Office removal per the Company's responses to  
21 ORS Audit Request #22; and

- 1                   4. The Company used estimates in its calculation of its adjustment whereas ORS  
2                   used actuals provided by the Company through the audit cutoff date of December  
3                   20, 2019.

4                   Adjustment #33 – Accumulated Depreciation

5                   ORS proposes an adjustment in the amount of \$3,337,761 to adjust accumulated  
6                   depreciation to reflect the updated gross plant in service. The Company proposes an  
7                   adjustment in the amount of \$3,701,703. The difference in adjustment amounts is attributable  
8                   to the following:

- 9                   1. ORS proposes to adjust accumulated depreciation by \$4,929 to correctly account  
10                  for the Stonegate WTP decommissioning removal as the balance was removed  
11                  twice by the Company. The Company indicated this was done in error in response  
12                  to ORS Audit Request #22;  
13                  2. ORS proposes to adjust accumulated depreciation by (\$310,276) for prior rate  
14                  case adjustments related to the Indian Pines extraordinary retirement, Purdy  
15                  Shores & Foxwood retirement, and engineering expenses;  
16                  3. ORS proposes to adjust accumulated depreciation by (\$98) for errors in the  
17                  Company's calculation of the Northbrook Office removal per the Company's  
18                  responses to ORS Audit Request #22; and  
19                  4. ORS proposes to adjust accumulated depreciation for the depreciation expense  
20                  ORS calculated utilizing ORS witness Garrett's depreciation rates applied to  
21                  ORS's calculation of gross plant in service.

22                  Adjustment #34b – Unamortized Balances for Decommissioned Assets. NBV on  
23                  Decommissioned Assets and EDIT

ORS proposes an adjustment in the amount of \$4,827,755 to adjust deferred charges to include the unamortized balances as of April 30, 2020 net of a full year of amortization for removal costs on decommissioned assets, NBV on decommissioned assets and EDIT. The Company proposes an adjustment in the amount of \$4,596,244. The difference in adjustment amounts is attributable to the differences identified at Adjustment #9c and the full year of amortization netted against the April 30, 2020 balances.

Adjustment #36 – CIAC

ORS proposes an adjustment in the amount of \$1,128,095 to adjust CIAC to reflect the amortization of CIAC expenses, pro forma CIAC additions, and decommissioned plants. The Company proposes an adjustment in the amount of \$1,068,166. The difference in adjustment amounts is attributable to the utilization of ORS witness Garrett's depreciation rates and the updates to CIAC as provided by the Company to ORS on the audit cutoff date of December 20, 2019.

Adjustment #37 – Plant Held for Future Use

The Company proposes to adjust rate base to include the costs associated with a land purchase after the test year that will be used for a one million gallon elevated tank in the Lake Wylie Subdivision. The Company proposes an adjustment in the amount of \$350,000 in the application. However, in Company witness Destefano's Direct Testimony on page 14, the Company proposes to remove this item from the filing due to the land purchase not occurring during this proceeding. ORS accepts Company witness Destefano's proposal to remove this item and does not propose an adjustment for plant held for future use.

Adjustment #38 – Excess Book Value

1           ORS proposes to remove excess book value for ratemaking purposes by removing  
2           \$1,937,905 from plant and \$1,473,259 from accumulated depreciation through April 30,  
3           2020 due to new rates going into effect in May 2020, resulting in a net reduction to rate base  
4           in the amount of \$464,646. The Company proposes an adjustment in the amount of  
5           (\$435,586).

6           Historically, there has been a difference between ORS and Company calculations of  
7           the excess book value adjustment due to the Company using the incorrect carry forward  
8           amount in Docket No. 2004-357-WS. The Company agreed with ORS's calculation of the  
9           excess book value adjustment in that docket.

10   **Q.    WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**  
11   **BECOMES AVAILABLE?**

12   **A.**Yes. ORS fully reserves the right to revise its recommendations via supplemental  
13           testimony should new information become available not previously provided by the  
14           Company.

15   **Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16   **A.**Yes, it does.

Blue Granite Water Company  
Deferred Charges  
Docket No. 2019-290-WS  
Test Year Ended June 30, 2019

Description	Rate Base?	Balance through 6/30/19	Activity thru 4/30/20	Pro-Forma Balance at 4/30/20	Prior		Rate Base Items	
					Approved Amortization Years	Amortization Years Remaining	Annual Amortization	Balance for Rate Base after 1 Year Amortization
ALC Case - DHEC Permit Denial	No	\$ 213,773	3,000	\$ 216,773		5.00	\$ 43,355	
ALC Case - I-20 Interconnect	No	\$ 65,948	-	65,948		5.00	\$ 13,190	
I-20 Interconnect Phase 2	No	\$ 156,819	(1,995)	154,824	66.67	64.97	\$ 2,394	
2016 Storm Costs	No	\$ 20,196	(10,114)	10,081	5.00	0.83	\$ 10,081	
Hurricane Florence Storm Costs	No	\$ 187,842	(34,786)	153,057	5.00	3.67	\$ 41,743	
Stonegate WTP Decommissioning and NBV	Yes	\$ 703,426	38,645	742,071		29.56	\$ 25,103	716,968
Friarsgate WWTP Decommissioning and NBV	Yes	\$ 5,896,721	1,109,769	7,006,490		32.40	\$ 216,264	6,790,226
Federal Protected EDIT	Yes	\$ (2,769,302)	44,326	(2,724,976)	56.00	54.06	\$ (50,402)	(2,674,574)
Federal Unprotected EDIT	Yes	\$ (153,304)	69,778	(83,526)	3.00	1.06	\$ (78,661)	(4,865)
<b>Total Deferred Charges</b>		<b>\$ 4,322,119</b>	<b>\$ 1,218,622</b>	<b>\$ 5,540,741</b>			<b>\$ 223,066</b>	<b>\$ 4,827,755</b>
<b>Total Deferred Charges for Rate Base</b>							<b>\$</b>	<b>\$ 4,827,755</b>